

each of the per diem rate components by the ratio of the volume weighted mean wage adjustment factor (using the wage index from the previous year) to the volume weighted mean wage adjustment factor, using the wage index for the FY beginning October 1, 2000. The same volume weights are used in both the numerator and denominator and will be derived from 1997 Medicare Provider Analysis and Review File (MedPar) data. The wage adjustment factor used in this calculation is defined as the labor share of the rate component multiplied by the wage index plus the non-labor share. The budget neutrality factor for FY 2001 is 0.99909, which is multiplied by each of the Federal rate components.

*Comment:* We received one comment suggesting that the differences in the rural and urban wage indexes exacerbate rural access problems. The commenter indicates that the loss of adequate indirect and overhead reimbursement has taken away the incentive for ancillary providers to travel long distances, particularly to rural SNFs.

*Response:* The wage index used to adjust the SNF payment rate is currently based upon the wage and hourly data derived directly from the hospital cost report and, therefore, reflects the relative wage difference between a rural and urban area. In addition, the wages are adjusted to account for overhead allocated to excluded areas that are carved out of the computation. We do not believe that using the wage index to adjust payments to SNFs will affect access to care in rural SNFs.

*Comment:* We received several comments concerning the use of the hospital wage index to adjust payments for SNFs. Several of these commenters suggested that the hospital wage index does not adequately reflect the wages paid in the SNF setting. They argued that this is compounded by the fact that the SNF along with other areas are carved out or excluded from the computation of the hospital wage index. These commenters strongly suggested that we move quickly to a SNF-specific wage index. We also received other comments suggesting that we only implement a SNF-specific wage index if the data is significantly better, in order to justify the efforts involved in collecting and cleaning up the data.

*Response:* We are currently reviewing the data collected on the SNF cost reports to evaluate the possibility of developing a SNF-specific wage index. We are developing edits and screens on the data to evaluate the reasonableness and accuracy of the data. A full year's worth of data under the PPS will not be

available until late fall 2000. We will review the data and consider the reasonableness of a SNF specific wage index. We hope to be able to provide detailed information on a SNF-specific wage index in our next proposed rule.

However, until that time, we continue to believe that the hospital wage data are an appropriate measure to adjust for area differences in wage rates. The statute provides that the Secretary use an "appropriate" wage index. We believe that the use of hospital wage data is appropriate because the relative difference between labor markets for hospitals and SNFs does not vary significantly, as they compete in the same labor market area.

*Comment:* One commenter suggested that we update the wage index every six months to attract the best nursing staff to nursing homes.

*Response:* We are not adopting this suggestion, because we do not believe that revising the wage index every six months would achieve the goal that the commenter seeks.

For any RUG-III group, to compute a wage-adjusted Federal payment rate, the labor-related portion of the payment rate is multiplied by the SNF's appropriate wage index factor listed in Table 7. The product of that calculation is added to the corresponding non-labor-related component. The resulting amount is the Federal rate applicable to a beneficiary in that RUG-III group for that SNF.

TABLE 7.—WAGE INDEX FOR URBAN AREAS

Urban area (Constituent Counties or County Equivalents)	Wage Index
0040 Abilene, TX .....	0.8240
Taylor, TX	
0060 Aguadilla, PR .....	0.4391
Aguada, PR	
Aguadilla, PR	
Moca, PR	
0080 Akron, OH .....	0.9736
Portage, OH	
Summit, OH	
0120 Albany, GA .....	0.9933
Dougherty, GA	
Lee, GA	
0160 Albany-Schenectady-Troy, NY .....	0.8549
Albany, NY	
Montgomery, NY	
Rensselaer, NY	
Saratoga, NY	
Schenectady, NY	
Schoharie, NY	
0200 Albuquerque, NM .....	0.9136
Bernalillo, NM	
Sandoval, NM	
Valencia, NM	
0220 Alexandria, LA .....	0.8151
Rapides, LA	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
0240 Allentown-Bethlehem-Eas- ton, PA .....	1.0040
Carbon, PA	
Lehigh, PA	
Northampton, PA	
0280 Altoona, PA .....	0.9346
Blair, PA	
0320 Amarillo, TX .....	0.8715
Potter, TX	
Randall, TX	
0380 Anchorage, AK .....	1.2793
Anchorage, AK	
0440 Ann Arbor, MI .....	1.1254
Lenawee, MI	
Livingston, MI	
Washtenaw, MI	
0450 Anniston, AL .....	0.8284
Calhoun, AL	
0460 Appleton-Oshkosh-Neenah, WI .....	0.9052
Calumet, WI	
Outagamie, WI	
Winnebago, WI	
0470 Arecibo, PR .....	0.4525
Arecibo, PR	
Camuy, PR	
Hatillo, PR	
0480 Asheville, NC .....	0.9516
Buncombe, NC	
Madison, NC	
0500 Athens, GA .....	0.9739
Clarke, GA	
Madison, GA	
Oconee, GA	
0520 Atlanta, GA .....	1.0096
Barrow, GA	
Bartow, GA	
Carroll, GA	
Cherokee, GA	
Clayton, GA	
Cobb, GA	
Coweta, GA	
De Kalb, GA	
Douglas, GA	
Fayette, GA	
Forsyth, GA	
Fulton, GA	
Gwinnett, GA	
Henry, GA	
Newton, GA Paulding, GA	
Pickens, GA	
Rockdale, GA	
Spalding, GA	
Walton, GA	
0560 Atlantic City-Cape May, NJ	1.1182
Atlantic City, NJ	
Cape May, NJ	
0580 Auburn-Opelika, AL .....	0.8106
Lee, AL	
0600 Augusta-Aiken, GA-SC .....	0.9160
Columbia, GA	
McDuffie, GA	
Richmond, GA	
Aiken, SC	
Edgefield, SC	
0640 Austin-San Marcos, TX .....	0.9577
Bastrop, TX	
Caldwell, TX	
Hays, TX	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Travis, TX	
Williamson, TX	
0680 Bakersfield, CA .....	0.9678
Kern, CA	
0720 Baltimore, MD .....	0.9365
Anne Arundel, MD	
Baltimore, MD	
Baltimore City, MD	
Carroll, MD	
Harford, MD	
Howard, MD	
Queen Annes, MD	
0733 Bangor, ME .....	0.9561
Penobscot, ME	
0743 Barnstable-Yarmouth, MA ...	1.3839
Barnstable, MA	
0760 Baton Rouge, LA .....	0.8842
Ascension, LA	
East Baton Rouge, LA	
Livingston, LA	
West Baton Rouge, LA	
0840 Beaumont-Port Arthur, TX ..	0.8744
Hardin, TX	
Jefferson, TX	
Orange, TX	
0860 Bellingham, WA .....	1.1439
Whatcom, WA	
0870 Benton Harbor, MI .....	0.8671
Berrien, MI	
0875 Bergen-Passaic, NJ .....	1.1848
Bergen, NJ	
Passaic, NJ	
0880 Billings, MT .....	0.9585
Yellowstone, MT	
0920 Biloxi-Gulfport-Pascagoula, MS .....	0.8236
Hancock, MS	
Harrison, MS	
Jackson, MS	
0960 Binghamton, NY .....	0.8690
Broome, NY	
Tioga, NY	
1000 Birmingham, AL .....	0.8452
Blount, AL	
Jefferson, AL	
St. Clair, AL	
Shelby, AL	
1010 Bismarck, ND .....	0.7705
Burleigh, ND	
Morton, ND	
1020 Bloomington, IN .....	0.8733
Monroe, IN	
1040 Bloomington-Normal, IL .....	0.9095
McLean, IL	
1080 Boise City, ID .....	0.9006
Ada, ID	
Canyon, ID	
1123 Boston-Worcester-Law- rence-Lowell-Brockton, MA-NH ..	1.1160
Bristol, MA	
Essex, MA	
Middlesex, MA	
Norfolk, MA	
Plymouth, MA	
Suffolk, MA	
Worcester, MA	
Hillsborough, NH	
Merrimack, NH	
Rockingham, NH	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Strafford, NH	
1125 Boulder-Longmont, CO .....	0.9731
Boulder, CO	
1145 Brazoria, TX .....	0.8658
Brazoria, TX	
1150 Bremerton, WA .....	1.0975
Kitsap, WA	
1240 Brownsville-Harlingen-San Benito, TX .....	0.8722
Cameron, TX	
1260 Bryan-College Station, TX ..	0.8237
Brazos, TX	
1280 Buffalo-Niagara Falls, NY ...	0.9580
Erie, NY	
Niagara, NY	
1303 Burlington, VT .....	1.0735
Chittenden, VT	
Franklin, VT	
Grand Isle, VT	
1310 Caguas, PR .....	0.4562
Caguas, PR	
Cayey, PR	
Cidra, PR	
Gurabo, PR	
San Lorenzo, PR	
1320 Canton-Massillon, OH .....	0.8584
Carroll, OH	
Stark, OH	
1350 Casper, WY .....	0.8724
Natrona, WY	
1360 Cedar Rapids, IA .....	0.8736
Linn, IA	
1400 Champaign-Urbana, IL .....	0.9198
Champaign, IL	
1440 Charleston-North Charles- ton, SC .....	0.9038
Berkeley, SC	
Charleston, SC	
Dorchester, SC	
1480 Charleston, WV .....	0.9240
Kanawha, WV	
Putnam, WV	
1520 Charlotte-Gastonia-Rock Hill, NC-SC .....	0.9407
Cabarrus, NC	
Gaston, NC	
Lincoln, NC	
Mecklenburg, NC	
Rowan, NC	
Stanly, NC	
Union, NC	
York, SC	
1540 Charlottesville, VA .....	1.0789
Albemarle, VA	
Charlottesville City, VA	
Fluvanna, VA	
Greene, VA	
1560 Chattanooga, TN-GA .....	0.9833
Catoosa, GA	
Dade, GA	
Walker, GA	
Hamilton, TN	
Marion, TN	
1580 Cheyenne, WY .....	0.8308
Laramie, WY	
1600 Chicago, IL .....	1.1146
Cook, IL	
De Kalb, IL	
Du Page, IL	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Grundy, IL	
Kane, IL	
Kendall, IL	
Lake, IL	
McHenry, IL	
Will, IL	
1620 Chico-Paradise, CA .....	0.9918
Butte, CA	
1640 Cincinnati, OH-KY-IN .....	0.9415
Dearborn, IN	
Ohio, IN	
Boone, KY	
Campbell, KY	
Gallatin, KY	
Grant, KY	
Kenton, KY	
Pendleton, KY	
Brown, OH	
Clermont, OH	
Hamilton, OH	
Warren, OH	
1660 Clarksville-Hopkinsville, TN- KY .....	0.8204
Christian, KY	
Montgomery, TN	
1680 Cleveland-Lorain-Elyria, OH	0.9597
Ashtabula, OH	
Geauga, OH	
Cuyahoga, OH	
Lake, OH	
Lorain, OH	
Medina, OH	
1720 Colorado Springs, CO .....	0.9697
El Paso, CO	
1740 Columbia, MO .....	0.8961
Boone, MO	
1760 Columbia, SC .....	0.9554
Lexington, SC	
Richland, SC	
1800 Columbus, GA-AL .....	0.8568
Russell, AL	
Chattanooga, GA	
Harris, GA	
Muscogee, GA	
1840 Columbus, OH .....	0.9619
Delaware, OH	
Fairfield, OH	
Franklin, OH	
Licking, OH	
Madison, OH	
Pickaway, OH	
1880 Corpus Christi, TX .....	0.8726
Nueces, TX	
San Patricio, TX	
1890 Corvallis, OR .....	1.1326
Benton, OR	
1900 Cumberland, MD-WV .....	0.8369
Allegany, MD	
Mineral, WV	
1920 Dallas, TX .....	0.9913
Collin, TX	
Dallas, TX	
Denton, TX	
Ellis, TX	
Henderson, TX	
Hunt, TX	
Kaufman, TX	
Rockwall, TX	
1950 Danville, VA .....	0.8589

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Danville City, VA	
Pittsylvania, VA	
1960 Davenport-Moline-Rock Is- land, IA-IL .....	0.8898
Scott, IA	
Henry, IL	
Rock Island, IL	
2000 Dayton-Springfield, OH .....	0.9442
Clark, OH	
Greene, OH	
Miami, OH	
Montgomery, OH	
2020 Daytona Beach, FL .....	0.9200
Flagler, FL	
Volusia, FL	
2030 Decatur, AL .....	0.8534
Lawrence, AL	
Morgan, AL	
2040 Decatur, IL .....	0.8125
Macon, IL	
2080 Denver, CO .....	1.0181
Adams, CO	
Arapahoe, CO	
Denver, CO	
Douglas, CO	
Jefferson, CO	
2120 Des Moines, IA .....	0.9118
Dallas, IA	
Polk, IA	
Warren, IA	
2160 Detroit, MI .....	1.0510
Lapeer, MI	
Macomb, MI	
Monroe, MI	
Oakland, MI	
St. Clair, MI	
Wayne, MI	
2180 Dothan, AL .....	0.7943
Dale, AL	
Houston, AL	
2190 Dover, DE .....	1.0078
Kent, DE	
2200 Dubuque, IA .....	0.8746
Dubuque, IA	
2240 Duluth-Superior, MN-WI ....	1.0032
St. Louis, MN	
Douglas, WI	
2281 Dutchess County, NY .....	1.0249
Dutchess, NY	
2290 Eau Claire, WI .....	0.8790
Chippewa, WI	
Eau Claire, WI	
2320 El Paso, TX .....	0.9346
El Paso, TX	
2330 Elkhart-Goshen, IN .....	0.9145
Elkhart, IN	
2335 Elmira, NY .....	0.8546
Chemung, NY	
2340 Enid, OK .....	0.8610
Garfield, OK	
2360 Erie, PA .....	0.8985
Erie, PA	
2400 Eugene-Springfield, OR .....	1.0965
Lane, OR	
2440 Evansville-Henderson, IN- KY .....	0.8173
Posey, IN	
Vanderburgh, IN	
Warrick, IN	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Henderson, KY	
2520 Fargo-Moorhead, ND-MN ..	0.8749
Clay, MN	
Cass, ND	
2560 Fayetteville, NC .....	0.8655
Cumberland, NC	
2580 Fayetteville-Springdale-Rog- ers, AR .....	0.7910
Benton, AR	
Washington, AR	
2620 Flagstaff, AZ-UT .....	1.0686
Coconino, AZ	
Kane, UT	
2640 Flint, MI .....	1.1205
Genesee, MI	
2650 Florence, AL .....	0.7616
Colbert, AL	
Lauderdale, AL	
2655 Florence, SC .....	0.8777
Florence, SC	
2670 Fort Collins-Loveland, CO ..	1.0647
Larimer, CO	
2680 Ft. Lauderdale, FL .....	1.0121
Broward, FL	
2700 Fort Myers-Cape Coral, FL	0.9247
Lee, FL	
2710 Fort Pierce-Port St. Lucie, FL .....	0.9538
Martin, FL	
St. Lucie, FL	
2720 Fort Smith, AR-OK .....	0.8052
Crawford, AR	
Sebastian, AR	
Sequoyah, OK	
2750 Fort Walton Beach, FL .....	0.9607
Okaloosa, FL	
2760 Fort Wayne, IN .....	0.8665
Adams, IN	
Allen, IN	
De Kalb, IN	
Huntington, IN	
Wells, IN	
Whitley, IN	
2800 Fort Worth-Arlington, TX .....	0.9527
Hood, TX	
Johnson, TX	
Parker, TX	
Tarrant, TX	
2840 Fresno, CA .....	1.0104
Fresno, CA	
Madera, CA	
2880 Gadsden, AL .....	0.8423
Etowah, AL	
2900 Gainesville, FL .....	1.0074
Alachua, FL	
2920 Galveston-Texas City, TX ....	0.9918
Galveston, TX	
2960 Gary, IN .....	0.9454
Lake, IN	
Porter, IN	
2975 Glens Falls, NY .....	0.8361
Warren, NY	
Washington, NY	
2980 Goldsboro, NC .....	0.8423
Wayne, NC	
2985 Grand Forks, ND-MN .....	0.8816
Polk, MN	
Grand Forks, ND	
2995 Grand Junction, CO .....	0.9109

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Mesa, CO.	
3000 Grand Rapids-Muskegon- Holland, MI .....	1.0248
Allegan, MI	
Kent, MI	
Muskegon, MI	
Ottawa, MI	
3040 Great Falls, MT .....	0.9065
Cascade, MT	
3060 Greeley, CO .....	0.9814
Weld, CO	
3080 Green Bay, WI .....	0.9225
Brown, WI	
3120 Greensboro-Winston-Salem- High Point, NC .....	0.9131
Alamance, NC	
Davidson, NC	
Davie, NC	
Forsyth, NC	
Guilford, NC	
Randolph, NC	
Stokes, NC	
Yadkin, NC	
3150 Greenville, NC .....	0.9384
Pitt, NC	
3160 Greenville-Spartanburg-An- derson, SC .....	0.9003
Anderson, SC	
Cherokee, SC	
Greenville, SC	
Pickens, SC	
Spartanburg, SC	
3180 Hagerstown, MD .....	0.9409
Washington, MD	
3200 Hamilton-Middletown, OH ....	0.9061
Butler, OH	
3240 Harrisburg-Lebanon-Carlisle, PA .....	0.9386
Cumberland, PA	
Dauphin, PA	
Lebanon, PA	
Perry, PA	
3283 Hartford, CT .....	1.1373
Hartford, CT	
Litchfield, CT	
Middlesex, CT	
Tolland, CT	
3285 Hattiesburg, MS .....	0.7490
Forrest, MS	
Lamar, MS	
3290 Hickory-Morganton-Lenoir, NC .....	0.9008
Alexander, NC	
Burke, NC	
Caldwell, NC	
Catawba, NC	
3320 Honolulu, HI .....	1.1863
Honolulu, HI	
3350 Houma, LA .....	0.8086
Lafourche, LA	
Terrebonne, LA	
3360 Houston, TX .....	0.9732
Chambers, TX	
Fort Bend, TX	
Harris, TX	
Liberty, TX	
Montgomery, TX	
Waller, TX	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
3400 Huntington-Ashland, WV— KY-OH .....	0.9876
Boyd, KY	
Carter, KY	
Greenup, KY	
Lawrence, OH	
Cabell, WV	
Wayne, WV	
3440 Huntsville, AL .....	0.8932
Limestone, AL	
Madison, AL	
3480 Indianapolis, IN .....	0.9787
Boone, IN	
Hamilton, IN	
Hancock, IN	
Hendricks, IN	
Johnson, IN	
Madison, IN	
Marion, IN	
Morgan, IN	
Shelby, IN	
3500 Iowa City, IA .....	0.9657
Johnson, IA	
3520 Jackson, MI .....	0.9134
Jackson, MI	
3560 Jackson, MS .....	0.8812
Hinds, MS	
Madison, MS	
Rankin, MS	
3580 Jackson, TN .....	0.8796
Chester, TN	
Madison, TN	
3600 Jacksonville, FL .....	0.9208
Clay, FL	
Duval, FL	
Nassau, FL	
St. Johns, FL	
3605 Jacksonville, NC .....	0.7777
Onslow, NC	
3610 Jamestown, NY .....	0.7818
Chautauqua, NY	
3620 Janesville-Beloit, WI .....	0.9585
Rock, WI	
3640 Jersey City, NJ .....	1.1502
Hudson, NJ	
3660 Johnson City-Kingsport- Bristol, TN—VA .....	0.8272
Carter, TN	
Hawkins, TN	
Sullivan, TN	
Unicoi, TN	
Washington, TN	
Bristol City, VA	
Scott, VA	
Washington, VA	
3680 Johnstown, PA .....	0.8846
Cambria, PA	
Somerset, PA	
3700 Jonesboro, AR .....	0.7832
Craighead, AR	
3710 Joplin, MO .....	0.8148
Jasper, MO	
Newton, MO	
3720 Kalamazoo-Battlecreek, MI	1.0453
Calhoun, MI	
Kalamazoo, MI	
Van Buren, MI	
3740 Kankakee, IL .....	0.9902
Kankakee, IL	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
3760 Kansas City, KS—MO .....	0.9498
Johnson, KS	
Leavenworth, KS	
Miami, KS	
Wyandotte, KS	
Cass, MO	
Clay, MO	
Clinton, MO	
Jackson, MO	
Lafayette, MO	
Platte, MO	
Ray, MO	
3800 Kenosha, WI .....	0.9611
Kenosha, WI	
3810 Killeen-Temple, TX .....	1.0119
Bell, TX	
Coryell, TX	
3840 Knoxville, TN .....	0.8340
Anderson, TN	
Blount, TN	
Knox, TN	
Loudon, TN	
Sevier, TN	
Union, TN	
3850 Kokomo, IN .....	0.9518
Howard, IN	
Tipton, IN	
3870 La Crosse, WI—MN .....	0.9211
Houston, MN	
La Crosse, WI	
3880 Lafayette, LA .....	0.8490
Acadia, LA	
Lafayette, LA	
St. Landry, LA	
St. Martin, LA	
3920 Lafayette, IN .....	0.8834
Clinton, IN	
Tippecanoe, IN	
3960 Lake Charles, LA .....	0.7399
Calcasieu, LA	
3980 Lakeland-Winter Haven, FL	0.9239
Polk, FL	
4000 Lancaster, PA .....	0.9259
Lancaster, PA	
4040 Lansing-East Lansing, MI ...	0.9934
Clinton, MI	
Eaton, MI	
Ingham, MI	
4080 Laredo, TX .....	0.8168
Webb, TX	
4100 Las Cruces, NM .....	0.8658
Dona Ana, NM	
4120 Las Vegas, NV—AZ .....	1.0796
Mohave, AZ	
Clark, NV	
Nye, NV	
4150 Lawrence, KS .....	0.8190
Douglas, KS	
4200 Lawton, OK .....	0.8996
Comanche, OK	
4243 Lewiston-Auburn, ME .....	0.9036
Androscoggin, ME	
4280 Lexington, KY .....	0.8866
Bourbon, KY	
Clark, KY	
Fayette, KY	
Jessamine, KY	
Madison, KY	
Scott, KY	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Woodford, KY	
4320 Lima, OH .....	0.9320
Allen, OH	
Auglaize, OH	
4360 Lincoln, NE .....	0.9626
Lancaster, NE	
4400 Little Rock-North Little Rock, AR .....	0.8906
Faulkner, AR	
Lonoke, AR	
Pulaski, AR	
Saline, AR	
4420 Longview-Marshall, TX .....	0.8922
Gregg, TX	
Harrison, TX	
Upshur, TX	
4480 Los Angeles-Long Beach, CA .....	1.1996
Los Angeles, CA	
4520 Louisville, KY—IN .....	0.9350
Clark, IN	
Floyd, IN	
Harrison, IN	
Scott, IN	
Bullitt, KY	
Jefferson, KY	
Oldham, KY	
4600 Lubbock, TX .....	0.8838
Lubbock, TX	
4640 Lynchburg, VA .....	0.8867
Amherst, VA	
Bedford City, VA	
Bedford, VA	
Campbell, VA	
Lynchburg City, VA	
4680 Macon, GA .....	0.8974
Bibb, GA	
Houston, GA	
Jones, GA	
Peach, GA	
Twiggs, GA	
4720 Madison, WI .....	1.0271
Dane, WI	
4800 Mansfield, OH .....	0.8690
Crawford, OH	
Richland, OH	
4840 Mayaguez, PR .....	0.4589
Anasco, PR	
Cabo Rojo, PR	
Hormigueros, PR	
Mayaguez, PR	
Sabana Grande, PR	
San German, PR	
4880 McAllen-Edinburg-Mission, TX .....	0.8566
Hidalgo, TX	
4890 Medford-Ashland, OR .....	1.0344
Jackson, OR	
4900 Melbourne-Titusville-Palm Bay, FL .....	0.9688
Brevard, FL	
4920 Memphis, TN—AR—MS .....	0.8723
Crittenden, AR	
De Soto, MS	
Fayette, TN	
Shelby, TN	
Tipton, TN	
4940 Merced, CA .....	0.9646
Merced, CA	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
5000 Miami, FL .....	1.0059
Dade, FL	
5015 Middlesex-Somerset-	
Hunterdon, NJ .....	1.1075
Hunterdon, NJ	
Middlesex, NJ	
Somerset, NJ	
5080 Milwaukee-Waukesha, WI ..	0.9767
Milwaukee, WI	
Ozaukee, WI	
Washington, WI	
Waukesha, WI	
5120 Minneapolis-St Paul, MN—	
WI .....	1.1017
Anoka, MN	
Carver, MN	
Chisago, MN	
Dakota, MN	
Hennepin, MN	
Isanti, MN	
Ramsey, MN	
Scott, MN	
Sherburne, MN	
Washington, MN	
Wright, MN	
Pierce, WI	
St. Croix, WI	
5140 Missoula, MT .....	0.9274
Missoula, MT	
5160 Mobile, AL .....	0.8163
Baldwin, AL	
Mobile, AL	
5170 Modesto, CA .....	1.0396
Stanislaus, CA	
5190 Monmouth-Ocean, NJ .....	1.1278
Monmouth, NJ	
Ocean, NJ	
5200 Monroe, LA .....	0.8396
Ouachita, LA	
5240 Montgomery, AL .....	0.7653
Autauga, AL	
Elmore, AL	
Montgomery, AL	
5280 Muncie, IN .....	1.0969
Delaware, IN	
5330 Myrtle Beach, SC .....	0.8440
Horry, SC	
5345 Naples, FL .....	0.9661
Collier, FL	
5360 Nashville, TN .....	0.9490
Cheatham, TN	
Davidson, TN	
Dickson, TN	
Robertson, TN	
Rutherford TN	
Sumner, TN	
Williamson, TN	
Wilson, TN	
5380 Nassau-Suffolk, NY .....	1.3932
Nassau, NY	
Suffolk, NY	
5483 New Haven-Bridgeport-	
Stamford-Waterbury-Danbury,	
CT .....	1.2297
Fairfield, CT	
New Haven, CT	
5523 New London-Norwich, CT ...	1.2063
New London, CT	
5560 New Orleans, LA .....	0.9295

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Jefferson, LA	
Orleans, LA	
Plaquemines, LA	
St. Bernard, LA	
St. Charles, LA	
St. James, LA	
St. John The Baptist, LA	
St. Tammany, LA	
5600 New York, NY .....	1.4651
Bronx, NY	
Kings, NY	
New York, NY	
Putnam, NY	
Queens, NY	
Richmond, NY	
Rockland, NY	
Westchester, NY	
5640 Newark, NJ .....	1.1837
Essex, NJ	
Morris, NJ	
Sussex, NJ	
Union, NJ	
Warren, NJ	
5660 Newburgh, NY-PA .....	1.0847
Orange, NY	
Pike, PA	
5720 Norfolk-Virginia Beach-New-	
port News, VA-NC .....	0.8412
Currituck, NC	
Chesapeake City, VA	
Gloucester, VA	
Hampton City, VA	
Isle of Wight, VA	
James City, VA	
Mathews, VA	
Newport News City, VA	
Norfolk City, VA	
Poquoson City, VA	
Portsmouth City, VA	
Suffolk City, VA	
Virginia Beach City VA	
Williamsburg City, VA	
York, VA	
5775 Oakland, CA .....	1.4983
Alameda, CA	
Contra Costa, CA 5790 Ocala,	
FL .....	0.9243
Marion, FL	
5800 Odessa-Midland, TX .....	0.9205
Ector, TX	
Midland, TX	
5880 Oklahoma City, OK .....	0.8822
Canadian, OK	
Cleveland, OK	
Logan, OK	
McClain, OK	
Oklahoma, OK	
Pottawatomie, OK	
5910 Olympia, WA .....	1.0677
Thurston, WA	
5920 Omaha, NE-IA .....	0.9572
Pottawattamie, IA	
Cass, NE	
Douglas, NE	
Sarpy, NE	
Washington, NE	
5945 Orange County, CA .....	1.1467
Orange, CA	
5960 Orlando, FL .....	0.9610

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Lake, FL	
Orange, FL	
Osceola, FL	
Seminole, FL	
5990 Owensboro, KY .....	0.8159
Daviess, KY	
6015 Panama City, FL .....	0.9010
Bay, FL	
6020 Parkersburg-Marietta, WV—	
OH .....	0.8274
Washington, OH	
Wood, WV	
6080 Pensacola, FL .....	0.8176
Escambia, FL	
Santa Rosa, FL	
6120 Peoria-Pekin, IL .....	0.8645
Peoria, IL	
Tazewell, IL	
Woodford, IL	
6160 Philadelphia, PA-NJ .....	1.0937
Burlington, NJ	
Camden, NJ	
Gloucester, NJ	
Salem, NJ	
Bucks, PA	
Chester, PA	
Delaware, PA	
Montgomery, PA	
Philadelphia, PA	
6200 Phoenix-Mesa, AZ .....	0.9669
Maricopa, AZ	
Pinal, AZ	
6240 Pine Bluff, AR .....	0.7791
Jefferson, AR	
6280 Pittsburgh, PA .....	0.9741
Allegheny, PA	
Beaver, PA	
Butler, PA	
Fayette, PA	
Washington, PA	
Westmoreland, PA	
6323 Pittsfield, MA .....	1.0288
Berkshire, MA	
6340 Pocatello, ID .....	0.9076
Bannock, ID	
6360 Ponce, PR .....	0.5006
Guayanilla, PR	
Juana Diaz, PR	
Penuelas, PR	
Ponce, PR	
Villalba, PR	
Yauco, PR	
6403 Portland, ME .....	0.9748
Cumberland, ME	
Sagadahoc, ME	
York, ME	
6440 Portland-Vancouver, OR—	
WA .....	1.0910
Clackamas, OR	
Columbia, OR	
Multnomah, OR	
Washington, OR	
Yamhill, OR	
Clark, WA	
6483 Providence-Warwick-Paw-	
tucket, RI .....	1.0864
Bristol, RI	
Kent, RI	
Newport, RI	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Providence, RI	
Washington, RI	
6520 Provo-Orem, UT .....	1.0029
Utah, UT	
6560 Pueblo, CO .....	0.8815
Pueblo, CO	
6580 Punta Gorda, FL .....	0.9613
Charlotte, FL	
6600 Racine, WI .....	0.9246
Racine, WI	
6640 Raleigh-Durham-Chapel Hill, NC .....	0.9646
Chatham, NC	
Durham, NC	
Franklin, NC	
Johnston, NC	
Orange, NC	
Wake, NC	
6660 Rapid City, SD .....	0.8865
Pennington, SD	
6680 Reading, PA .....	0.9152
Berks, PA	
6690 Redding, CA .....	1.1664
Shasta, CA	
6720 Reno, NV .....	1.0550
Washoe, NV	
6740 Richland-Kennewick-Pasco, WA .....	1.1460
Benton, WA	
Franklin, WA	
6760 Richmond-Petersburg, VA ..	0.9617
Charles City County, VA	
Chesterfield, VA	
Colonial Heights City, VA	
Dinwiddie, VA	
Goochland, VA	
Hanover, VA	
Henrico, VA	
Hopewell City, VA	
New Kent, VA	
Petersburg City, VA	
Powhatan, VA	
Prince George, VA	
Richmond City, VA	
6780 Riverside-San Bernardino, CA .....	1.1239
Riverside, CA	
San Bernardino, CA	
6800 Roanoke, VA .....	0.8750
Botetourt, VA	
Roanoke, VA	
Roanoke City, VA	
Salem City, VA	
6820 Rochester, MN .....	1.1315
Olmsted, MN	
6840 Rochester, NY .....	0.9182
Genesee, NY	
Livingston, NY	
Monroe, NY	
Ontario, NY	
Orleans, NY	
Wayne, NY	
6880 Rockford, IL .....	0.8819
Boone, IL	
Ogle, IL	
Winnebago, IL	
6895 Rocky Mount, NC .....	0.8849
Edgecombe, NC	
Nash, NC	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
6920 Sacramento, CA .....	1.1950
El Dorado, CA	
Placer, CA	
Sacramento, CA	
6960 Saginaw-Bay City-Midland, MI .....	0.9575
Bay, MI	
Midland, MI	
Saginaw, MI	
6980 St. Cloud, MN .....	1.0016
Benton, MN	
Stearns, MN	
7000 St. Joseph, MO .....	0.9071
Andrews, MO	
Buchanan, MO	
7040 St. Louis, MO-IL .....	0.9049
Clinton, IL	
Jersey, IL	
Madison, IL	
Monroe, IL	
St. Clair, IL	
Franklin, MO	
Jefferson, MO	
Lincoln, MO	
St. Charles, MO	
St. Louis, MO	
St. Louis City, MO	
Warren, MO	
Sullivan City, MO	
7080 Salem, OR .....	1.0189
Marion, OR	
Polk, OR	
7120 Salinas, CA .....	1.4502
Monterey, CA	
7160 Salt Lake City-Ogden, UT ...	0.9807
Davis, UT	
Salt Lake, UT	
Weber, UT	
7200 San Angelo, TX .....	0.8083
Tom Green, TX	
7240 San Antonio, TX .....	0.8580
Bexar, TX	
Comal, TX	
Guadalupe, TX	
Wilson, TX	
7320 San Diego, CA .....	1.1784
San Diego, CA	
7360 San Francisco, CA .....	1.4156
Marin, CA	
San Francisco, CA	
San Mateo, CA	
7400 San Jose, CA .....	1.3652
Santa Clara, CA	
7440 San Juan-Bayamon, PR .....	0.4690
Aguas Buenas, PR	
Barceloneta, PR	
Bayamon, PR	
Canovanas, PR	
Carolina, PR	
Catano, PR	
Ceiba, PR	
Comerio, PR	
Corozal, PR	
Dorado, PR	
Fajardo, PR	
Florida, PR	
Guaynabo, PR	
Humacao, PR	
Juncos, PR	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Los Piedras, PR	
Loiza, PR	
Luguillo, PR	
Manati, PR	
Morovis, PR	
Naguabo, PR	
Naranjito, PR	
Rio Grande, PR	
San Juan, PR	
Toa Alta, PR	
Toa Baja, PR	
Trujillo Alto, PR	
Vega Alta, PR	
Vega Baja, PR	
Yabucoa, PR	
7460 San Luis Obispo- Atascadero-Paso Robles, CA .....	1.0673
San Luis Obispo, CA	
7480 Santa Barbara-Santa Maria- Lompoc, CA .....	1.0597
Santa Barbara, CA	
7485 Santa Cruz-Watsonville, CA	1.4040
Santa Cruz, CA	
7490 Santa Fe, NM .....	1.0537
Los Alamos, NM	
Santa Fe, NM	
7500 Santa Rosa, CA .....	1.2646
Sonoma, CA	
7510 Sarasota-Bradenton, FL .....	0.9809
Manatee, FL	
Sarasota, FL	
7520 Savannah, GA .....	0.9697
Bryan, GA	
Chatham, GA	
Effingham, GA	
7560 Scranton—Wilkes-Barre— Hazleton, PA .....	0.8421
Columbia, PA	
Lackawanna, PA	
Luzerne, PA	
Wyoming, PA	
7600 Seattle-Bellevue-Everett, WA .....	1.0996
Island, WA	
King, WA	
Snohomish, WA	
7610 Sharon, PA .....	0.7928
Mercer, PA	
7620 Sheboygan, WI .....	0.8379
Sheboygan, WI	
7640 Sherman-Denison, TX .....	0.8694
Grayson, TX	
7680 Shreveport-Bossier City, LA	0.8750
Bossier, LA	
Caddo, LA	
Webster, LA	
7720 Sioux City, IA-NE .....	0.8473
Woodbury, IA	
Dakota, NE	
7760 Sioux Falls, SD .....	0.8790
Lincoln, SD	
Minnehaha, SD	
7800 South Bend, IN .....	1.0000
St. Joseph, IN	
7840 Spokane, WA .....	1.0513
Spokane, WA	
7880 Springfield, IL .....	0.8685
Menard, IL	
Sangamon, IL	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
7920 Springfield, MO .....	0.8488
Christian, MO	
Greene, MO	
Webster, MO	
8003 Springfield, MA .....	1.0637
Hampden, MA	
Hampshire, MA	
8050 State College, PA .....	0.9038
Centre, PA	
8080 Steubenville-Weirton, OH— WV .....	0.8548
Jefferson, OH	
Brooke, WV	
Hancock, WV	
8120 Stockton-Lodi, CA .....	1.0629
San Joaquin, CA	
8140 Sumter, SC .....	0.8271
Sumter, SC	
8160 Syracuse, NY .....	0.9549
Cayuga, NY	
Madison, NY	
Onondaga, NY	
Oswego, NY	
8200 Tacoma, WA .....	1.1564
Pierce, WA	
8240 Tallahassee, FL .....	0.8545
Gadsden, FL	
Leon, FL	
8280 Tampa-St. Petersburg- Clearwater, FL .....	0.8982
Hernando, FL	
Hillsborough, FL	
Pasco, FL	
Pinellas, FL	
8320 Terre Haute, IN .....	0.8304
Clay, IN	
Vermillion, IN	
Vigo, IN	
8360 Texarkana, AR-Texarkana, TX .....	0.8363
Miller, AR	
Bowie, TX	
8400 Toledo, OH .....	0.9832
Fulton, OH	
Lucas, OH	
Wood, OH	
8440 Topeka, KS .....	0.9117
Shawnee, KS	
8480 Trenton, NJ .....	1.0137
Mercer, NJ	
8520 Tucson, AZ .....	0.8794
Pima, AZ	
8560 Tulsa, OK .....	0.8454
Creek, OK	
Osage, OK	
Rogers, OK	
Tulsa, OK	
Wagoner, OK	
8600 Tuscaloosa, AL .....	0.8064
Tuscaloosa, AL	
8640 Tyler, TX .....	0.9404
Smith, TX	
8680 Utica-Rome, NY .....	0.8560
Herkimer, NY	
Oneida, NY	
8720 Vallejo-Fairfield-Napa, CA ..	1.2847
Napa, CA	
Solano, CA	
8735 Ventura, CA .....	1.1030

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
Ventura, CA	
8750 Victoria, TX .....	0.8154
Victoria, TX	
8760 Vineland-Millville-Bridgeton, NJ .....	1.0501
Cumberland, NJ	
8780 Visalia-Tulare-Porterville, CA .....	0.9551
Tulare, CA	
8800 Waco, TX .....	0.8314
McLennan, TX	
8840 Washington, DC—MD—VA— WV .....	1.0755
District of Columbia, DC	
Calvert, MD	
Charles, MD	
Frederick, MD	
Montgomery, MD	
Prince Georges, MD	
Alexandria City, VA	
Arlington, VA	
Clarke, VA	
Culpepper, VA	
Fairfax, VA	
Fairfax City, VA	
Falls Church City, VA	
Fauquier, VA	
Fredericksburg City, VA	
King George, VA	
Loudoun, VA	
Manassas City, VA	
Manassas Park City, VA	
Prince William, VA	
Spotsylvania, VA	
Stafford, VA	
Warren, VA	
Berkeley, WV	
Jefferson, WV	
8920 Waterloo-Cedar Falls, IA ....	0.8404
Black Hawk, IA	
8940 Wausau, WI .....	0.9418
Marathon, WI	
8960 West Palm Beach-Boca Raton, FL .....	0.9682
Palm Beach, FL	
9000 Wheeling, OH—WV .....	0.7733
Belmont, OH	
Marshall, WV	
Ohio, WV	
9040 Wichita, KS .....	0.9544
Butler, KS	
Harvey, KS	
Sedgwick, KS	
9080 Wichita Falls, TX .....	0.7668
Archer, TX	
Wichita, TX	
9140 Williamsport, PA .....	0.8392
Lycoming, PA	
9160 Wilmington-Newark, DE— MD .....	1.1191
New Castle, DE	
Cecil, MD	
9200 Wilmington, NC .....	0.9402
New Hanover, NC	
Brunswick, NC	
9260 Yakima, WA .....	0.9907
Yakima, WA	
9270 Yolo, CA .....	1.0199
Yolo, CA	

TABLE 7.—WAGE INDEX FOR URBAN AREAS—Continued

Urban area (Constituent Counties or County Equivalents)	Wage Index
9280 York, PA .....	0.9264
York, PA	
9320 Youngstown-Warren, OH ....	0.9543
Columbiana, OH	
Mahoning, OH	
Trumbull, OH	
9340 Yuba City, CA .....	1.0706
Sutter, CA	
Yuba, CA	
9360 Yuma, AZ .....	0.9529
Yuma, AZ	

TABLE 8.—WAGE INDEX FOR RURAL AREAS

Nonurban area	Wage index
Alabama .....	0.7489
Alaska .....	1.2392
Arizona .....	0.8317
Arkansas .....	0.7445
California .....	0.9861
Colorado .....	0.8968
Connecticut .....	1.1715
Delaware .....	0.9074
Florida .....	0.8919
Georgia .....	0.8329
Guam .....	0.9611
Hawaii .....	1.1059
Idaho .....	0.8678
Illinois .....	0.8160
Indiana .....	0.8602
Iowa .....	0.8030
Kansas .....	0.7605
Kentucky .....	0.7931
Louisiana .....	0.7668
Maine .....	0.8766
Maryland .....	0.8651
Massachusetts .....	1.1204
Michigan .....	0.8987
Minnesota .....	0.8881
Mississippi .....	0.7491
Missouri .....	0.7698
Montana .....	0.8688
Nebraska .....	0.8109
Nevada .....	0.9232
New Hampshire .....	0.9845
New Jersey <sup>1</sup> .....	.....
New Mexico .....	0.8497
New York .....	0.8499
North Carolina .....	0.8445
North Dakota .....	0.7716
Ohio .....	0.8670
Oklahoma .....	0.7491
Oregon .....	1.0132
Pennsylvania .....	0.8578
Puerto Rico .....	0.4264
Rhode Island <sup>1</sup> .....	.....
South Carolina .....	0.8370
South Dakota .....	0.7570
Tennessee .....	0.7838
Texas .....	0.7502
Utah .....	0.9037
Vermont .....	0.9274
Virginia .....	0.8189
Virgin Islands .....	0.6306
Washington .....	1.0434

TABLE 8.—WAGE INDEX FOR RURAL AREAS—Continued

Nonurban area	Wage index
West Virginia .....	0.8231
Wisconsin .....	0.8880
Wyoming .....	0.8817

<sup>1</sup> All counties within the State are classified urban.

#### D. Updates to the Federal Rates

In accordance with section 1888(e)(4)(E) of the Act, the proposed payment rates listed here have been updated by the SNF market basket minus 1 percentage point, which equals 2.161 percent. For each succeeding FY, we will publish the rates in the **Federal Register** before August 1 of the year preceding the affected Federal FY.

For the current FY (FY 2001), and for FY 2002, section 1888(e)(4)(E)(ii) of the Act requires the rates to be increased by a factor equal to the SNF market index change minus 1 percentage point. For subsequent FYs, this section requires the rates to be increased by the applicable SNF market basket index increase.

#### E. Relationship of RUG—III Classification System to Existing Skilled Nursing Facility Level-of-Care Criteria

Regulations at § 413.345 provide that the information included in each update of the Federal payment rates in the **Federal Register** will include the designation of those specific RUGs under the classification system that represent the required SNF level of care, as provided in § 409.30. In the proposed rule (65 FR 19228), we proposed to designate the following RUG—III classifications for this purpose: All groups within the proposed new Rehabilitation and Extensive category; all groups within the Ultra High Rehabilitation category; all groups within the Very High Rehabilitation category; all groups within the Medium Rehabilitation category; all groups within the Low Rehabilitation category; all groups within the Extensive Services category; and, all groups within the Clinically Complex category.

*Comment:* A few commenters raised issues regarding specific aspects of the process for making SNF level of care determinations. One commenter recommended that the level of care presumption in existing regulations at § 409.30 (which extends through the assessment reference date (ARD) for the initial 5-day, Medicare-required assessment) be expanded to extend through the ARD for the 30-day assessment. This commenter also

avored revising the regulations to allow for using a beneficiary's assignment to one of the designated RUG—III groups in lieu of following the physician certification and recertification procedures described in § 424.20. Another commenter suggested that requiring individual level of care determinations for those beneficiaries who are assigned to one of the "lower 18" RUG—III groups (that is, to a RUG—III group that is not designated for purposes of the administrative presumption) creates a barrier to care for beneficiaries with dementing diseases. However, by far the majority of comments in this area observed that the High Rehabilitation and Special Care categories, which had been included in the most recent update notice (64 FR 41696, July 30, 1999), were missing from the list in the proposed rule, and urged their restoration.

*Response:* We believe that the suggestion for expanding the administrative presumption's timeframe to encompass the 30-day assessment is inconsistent with the underlying rationale for this presumption. In the preamble to the final rule that was published on July 30, 1999 (64 FR 41666–67), we noted that the Medicare SNF benefit is a "posthospital" benefit, and

\* \* \* that SNF residents tend to be relatively unstable and require fairly intensive skilled care during the period immediately following admission from the prior hospitalization, but that this tendency typically diminishes as they get further on in the SNF stay \* \* \*. [This] means, in effect, that the basis for making any type of presumption with regard to coverage would tend to become progressively less conclusive as a resident moves farther into the SNF stay, and would be at its most conclusive at the very outset of the stay, during the period immediately following the resident's admission from the prior hospitalization.

Further, the requirement for an initial physician certification and periodic recertification as to level of care is mandated by the law itself (at section 1814(a)(2)(B) of the Act) and, thus, cannot be eliminated administratively. We also note that the implementing regulations at § 424.20(a)(1)(ii) already allow, at the option of the physician, for the required initial certification to be completed simply by confirming that the beneficiary has been correctly assigned to one of the designated RUG—III groups, as provided in § 409.30.

In the preamble to the interim final rule that was published on May 12, 1998 (63 FR 26283), we provided that beneficiaries assigned to one of the upper 26 RUG—III groups would be automatically classified as meeting the

SNF level of care definition under the administrative presumption, " \* \* \* while those beneficiaries assigned to any of the lower 18 groups are not automatically classified as either meeting or not meeting the definition, but instead receive an individual level of care determination using the existing administrative criteria." This presumption recognized the strong likelihood that beneficiaries assigned to one of the upper 26 groups during the immediate posthospital period would actually require a covered level of care, which would be significantly less likely for those beneficiaries assigned to one of the lower 18 groups. However, we do not share the view of the commenter who characterized as a barrier to coverage the policy of providing for an individual level of care determination when a beneficiary is assigned to one of the lower 18 groups. To the contrary, we chose this particular approach—rather than a policy of summarily deeming all of the lower 18 groups to be noncovered—precisely in order to ensure coverage under the SNF PPS for individual beneficiaries within those groups who would have met the previous administrative criteria for determining a SNF level of care. This policy also helps ensure that any beneficiary who does, in fact, require a covered level of care will actually be able to receive coverage, without regard to the beneficiary's particular diagnosis.

Finally, we note that the omission of the High Rehabilitation and Special Care categories from the designation list that appeared in the proposed rule was inadvertent, and we concur with the recommendation of the commenters who urged that these categories be restored to the list. Further, as discussed elsewhere in this final rule, we have decided not to adopt the case-mix refinements (including the creation of a new Rehabilitation and Extensive category) that we had previously proposed. Accordingly, we hereby designate the upper 26 RUG—III groups for purposes of the administrative presumption described in § 409.30, as follows: all groups within the Ultra High Rehabilitation category; all groups within the Very High Rehabilitation category; all groups within the High Rehabilitation category; all groups within the Medium Rehabilitation category; all groups within the Low Rehabilitation category; all groups within the Extensive Services category; all groups within the Special Care category; and, all groups within the Clinically Complex category.

*F. Three-Year Transition Period*

Under sections 1888(e)(1) and (2) of the Act, during a facility's first three cost reporting periods that begin on or after July 1, 1998 (that is, the transition period), the facility's PPS rate will be equal to the sum of a percentage of an adjusted facility-specific per diem rate and a percentage of the adjusted Federal per diem rate. After the transition period, the PPS rate will equal the adjusted Federal per diem rate. The transition period payment method will not apply to SNFs that first received Medicare payments (interim or otherwise) on or after October 1, 1995 under present or previous ownership, or to those facilities choosing to bypass the transition in accordance with section 102 of the BBRA; these facilities will be paid based on 100 percent of the Federal rate.

The facility-specific per diem rate is the sum of the facility's total allowable Part A Medicare costs and an estimate of the amounts that would be payable under Part B for covered SNF services for cost reporting periods beginning in FY 1995 (base year). The base year cost report used to compute the facility-specific per diem rate in the transition period may be settled (either tentative or final) or as-submitted for Medicare payment purposes. Under section 1888(e)(3) of the Act, any adjustments to the base year cost report made as a result of settlement or other action by the fiscal intermediary, including cost limit exceptions and exemptions, or results of an appeal, will result in a revision to the facility-specific per diem rate. The instructions for calculating the facility-specific per diem rate are described in detail in the May 12, 1998 interim final rule. In order to implement section 104 of the BBRA, for providers

that received payment under the RUG—III demonstration during a cost reporting period that began in calendar year 1997, we will determine their facility-specific per diem rate using the methodology described below.

It is possible that some providers participated in the demonstration but did not have a cost reporting period that began in calendar year 1997. For those providers, we will determine their facility-specific per diem rate by using the calculations outlined in the May 12, 1998 **Federal Register** interim final rule (63 FR 26251, section III. (A)(1)(a), (b), or (c)). As with the facility-specific per diem applicable to other providers, the allowable costs will be subject to change based on the settlement of the cost report used to determine the total payment under the demonstration. In addition, we derive a special market basket inflation factor, which is 1.105788, to adjust the 1997 costs to the midpoint of the rate setting period (October 1, 2000 to September 30, 2001.)

*Step 1*—Determine the aggregate payment during the cost reporting period that began in calendar year 1997—RUG—III payment plus routine capital costs plus ancillary costs (other than occupational therapy, physical therapy, and speech pathology).

*Step 2*—Divide the amount in Step 1 by the applicable total inpatient days for the cost reporting period.

*Step 3*—Adjust the amount in Step 2 by 1.105788 (inflation factor).

*Step 4*—Add the amount determined in Step 3 to the appropriate Part B add-on amount determined according to Program Memorandum transmittal no. A-99-53 (December 1999).

The amount in Step 4 is the facility-specific rate that is applicable for the

facility's first cost reporting period beginning on or after October 1, 2000.

#### 1. Computation of the Skilled Nursing Facility Prospective Payment System Rate During the Transition

For the first three cost reporting periods beginning on or after July 1, 1998 (the transition period), an SNF's payment under the PPS is the sum of a percentage of the facility-specific per diem rate and a percentage of the adjusted Federal per diem rate. Under section 1888(e)(2)(C) of the Act, for the first cost reporting period in the transition period, the SNF payment will be the sum of 75 percent of the facility-specific per diem rate and 25 percent of the Federal per diem rate. For the second cost reporting period, the SNF payment will be the sum of 50 percent of the facility-specific per diem rate and 50 percent of the Federal per diem rate. For the third cost reporting period, the SNF payment will be the sum of 25 percent of the facility-specific per diem rate and 75 percent of the Federal per diem rate. For all subsequent cost reporting periods beginning after the transition period, the SNF payment will be equal to 100 percent of the Federal per diem rate. An example is given below computing the SNF PPS rate and SNF payment.

*Example of computation of adjusted PPS rates and SNF payment:* Using the XYZ SNF described in Table 9, the following shows the adjustments made to the facility-specific per diem rate and the Federal per diem rate to compute the provider's actual per diem PPS payment in the transition period. XYZ's 12-month cost reporting period begins October 1, 2000. (This is the provider's third cost reporting period under the transition.)

#### Step 1

Compute:

Facility-specific per diem rate .....	\$570.00
Market Basket Adjustment (Table 10.B) .....	× 1.14457
Adjusted facility-specific rate .....	\$652.40

#### Step 2

Compute Federal per diem rate:

TABLE 9.—SNF XYZ FROM ABOVE IS LOCATED IN STATE COLLEGE, PA WITH A WAGE INDEX OF 0.9038

RUG group	Labor portion*	Wage index	Adjusted labor	Nonlabor portion*	Adjusted rate	Percent adjustment	Medicare Days	Payment
RVC .....	\$240.71	0.9038	\$217.55	\$68.41	\$285.96	**\$297.40	50	\$14,870
SSC .....	154.95	0.9038	140.04	44.03	184.07	***228.25	50	11,413
Total .....							100	26,283

\* From Table 5.

\*\* Reflects a 4 percent adjustment.

\*\*\* Reflects a 24 percent adjustment.

## Step 3

Apply transition period percentages:

Facility-specific per diem rate \$652.40 × 100 days = .....	\$65,240
Times transition percentage (25 percent) .....	.25

Actual facility-specific PPS payment .....	\$16,310
Federal PPS payment .....	\$26,283
Times transition percentage (75 percent) .....	.75
Actual Federal PPS payment .....	\$19,712

## Step 4

Compute total PPS payment:

XYZ's total PPS payment (\$16,310 + \$19,712) .....	\$36,022
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### G. The Skilled Nursing Facility Market Basket Index

Section 1888(e)(5)(A) of the Act requires the Secretary to establish an SNF market basket index (input price index) that reflects changes over time in the prices of an appropriate mix of goods and services included in the SNF PPS. The proposed rule incorporated the latest estimates of the SNF market basket index at that time. This rule incorporates updated projections based on the latest available projections as of this point in time. Accordingly, we have developed a SNF market basket index that encompasses the most commonly used cost categories for SNF routine services, ancillary services, and capital-related expenses. In the May 12, 1998 **Federal Register**, we included a complete discussion on rebasing the SNF market basket to FY 1992, and revising the index to include capital and ancillary costs. There are 21 separate cost categories and respective price proxies. These cost categories were illustrated in Tables 4.A, 4.B, and Appendix A, found in the May 12, 1998 **Federal Register**.

Each year we calculate a revised labor-related share based on the relative importance of labor-related cost categories in the input price index. Table 10.A summarizes the updated labor-related share for FY 2001.

TABLE 10.A.—FY 2001 LABOR-RELATED SHARE

Cost category	FY 2000 relative importance*	FY 2001 relative importance
Wages and Salaries .....	56.647	56.734
Employee Benefits .....	12.321	12.654
Nonmedical Professional Fees	1.959	1.957
Labor-intensive Services .....	3.738	3.719
Capital-related ..	2.880	2.807
Total .....	77.545	77.870

The forecasted rates of growth used to compute the projected SNF market

basket percentages, described in the next section, are shown in Table 10.B, and the 12-month cost reporting period facility specific rate update factors are shown in Table 10C.

TABLE 10.B.—SKILLED NURSING FACILITY TOTAL COST MARKET BASKET, FORECASTED CHANGE, 1997–2002

Fiscal years beginning October 1	Skilled nursing facility total cost market basket
October 1996, FY 1997 .....	2.4
October 1997, FY 1998 .....	2.7
October 1998, FY 1999 .....	3.0
October 1999, FY 2000 .....	3.6
October 2000, FY 2001 .....	3.2
October 2001, FY 2002 .....	3.2
Forecasted Average: 2000–2002 .....	3.3

Source: Standard & Poor's DRI HCC, 2nd QTR 2000; @USSIM/TRENDLONG0500@CISSIM/TRENDLONG0500. Released by HCFA, OACT, National Health Statistics Group.

*Use of the Skilled Nursing Facility Market Basket Percentage:* Section 1888(e)(5)(B) of the Act defines the SNF market basket percentage as the percentage change in the SNF market basket index, described in the previous section, from the midpoint of the prior FY (or period) to the midpoint of the current FY (or other period) involved. The facility-specific portion and Federal portion of the SNF PPS rates addressed in the proposed rule were based on cost reporting periods beginning in the base year, Federal FY 1995. For the Federal rates, the percentage increases in the SNF market basket index will be used to compute the update factors occurring between the midpoint of FY 2000 and the midpoint of FY 2001. We used the Standard & Poor's DRI CC, 2nd quarter 2000 historical and forecasted percentage increases of the revised and rebased SNF market basket index for routine, ancillary, and capital-related expenses, to compute the update factors. Finally, we used the update factors to adjust the base year costs for computing

the facility-specific portion and Federal portion of the SNF PPS rates.

*Comment:* A number of commenters expressed concern with the SNF market basket. The commenters asserted that the market basket index used for updating the PPS rates does not reflect Medicare SNF care costs accurately. They added that we have the authority to address this issue through modifications to the market basket index. The comments included: trending forward the 1995 data to 1997 significantly understates the actual increase observed over this period; the market basket index is based on 1992 data that do not reflect the dynamic changes in the health care system that occurred between 1992 and 1997; the market basket labor inputs significantly understate the actual increases in labor costs for Medicare SNFs; and the one percentage point reduction to the market basket should be restored.

*Response:* A number of the provisions that were the subjects of the commenters' concerns are specifically mandated by the law itself. Section 1888(e)(4)(A) of the Act requires the use of 1995 costs as a base. Section 1888(e)(5)(A) of the Act specifically provides for the establishment of an SNF market basket, while section 1888(e)(4)(E) of the Act requires that the SNF PPS rates be updated annually using that index. Furthermore, for the current FY 2001, and for FY 2002, section 1888(e)(4)(E)(ii)(II) of the Act requires that the rates be increased by a factor equal to the SNF market basket index change minus 1 percentage point. For subsequent fiscal years, section 1888(e)(4)(E)(i)(III) of the Act requires the rates to be increased by the applicable SNF market basket index increase.

The statute at section 1888(e)(5)(A) specifies that the market basket should reflect "changes over time in the prices of an appropriate mix of goods and services included in covered SNF services". The SNF market basket index meets this statutory requirement. The SNF market basket captures the pure price change of inputs such as labor,